

Message Text

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ACTION NEA-07

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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC PRIORITY 2762

C O N F I D E N T I A L NEW DELHI 5478

LIMDIS

EO 11652: GDS
TAGS: EAID EGEN IN
SUBJ: US-INDIA ECONOMIC RELATIONS

REF: STATE 078238

1. WE BELIEVE THE MISUNDERSTANDING WITH THE GOI ABOUT THE STATE OF BILATERAL AID FOR INDIA HAS BEEN SATISFACTORILY STRAIGHTENED OUT. THE ECONOMIC COUNSELOR SPOKE TO JUNEGA ON APRIL 12 PASSING ON THE INFORMATION IN PARAGRAPH 4 REFTEL. JUNEGA, WHO HAD OBVIOUSLY ALREADY HEARD FROM BAIJAL ACCEPTED THE INFORMATION WITH LITTLE COMMENT.

2. THE CHARGE HAD AN INFORMAL AND GENERAL CONVERSATION WITH MANMOHAN SINGH ON APRIL 15 ON US-INDIA ECONOMIC RELATIONS. HIS OBJECTIVE, AS HE TOLD MANMOHAN SINGH, WAS TO GET INTO THE SAME SORT OF INFORMAL COMMUNICATION ON ECONOMIC MATTERS AS THE EMBASSY ALREADY HAD WITH MEA ON FOREIGN POLICY MATTERS. THE CHARGE MADE CLEAR THAT THE USG SAW NO NEED TO PRESS FOR DECISIONS ON ECONOMIC ISSUES BETWEEN US; THERE WAS TIME FOR THE GOI TO CONSIDER POLICY ISSUES IN DUE COURSE AND THEN
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BE IN TOUCH WITH US. IF MANMOHAN SINGH, HOWEVER, HAD VIEWS THAT HE WISHED TO CONVEY WE WOULD BE MOST INTERESTED.

3. MANMOHAN SINGH SEEMED TO APPRECIATE THIS OPPORTUNITY FOR INFORMAL COMMUNICATION. HE SAID THAT THE GOI PLACED HIGHEST PRIORITY ON STRAIGHTENING OUT THE IDA V SIT-

UATION. EXPLAINING THAT THE FINANCE MINISTER, THE FOREIGN MINISTER AND THE PRIME MINISTER HAD ALREADY BEEN BRIEFED ON THE PROPOSAL THAT THE IBRD BOARD REVIEW IDA V SHARING FORMULAE. MANMOHAN SINGH EXPRESSED THE HOPE OF THE GOI THAT THE USG WOULD TAKE INTO ACCOUNT INDIA'S NEEDS. IT WOULD BE AN IMPORTANT GESTURE IN OUR EVOLVING RELATIONSHIP, HE SAID. CERTAIN NEW ECONOMIC PROBLEMS MIGHT ARISE AS A RESULT OF INDIA'S NEW STRUCTURE OF GOVERNMENT. FOR EXAMPLE, IT WOULD NOT BE POSSIBLE TO CONTROL SMUGGLING BY THROWING SUSPECTED SMUGGLERS IN JAIL WITHOUT A TRIAL. HE WAS CONTENT THAT IF THE SHARING ISSUE WAS LEFT TO THE BANK MANAGEMENT, CONSIDERATION OF OBJECTIVE CRITERIA WOULD NOT REPEAT WOULD NOT LEAD TO SUBSTANTIAL CHANGE IN INDIA'S SHARE.

4. MANMOHAN SINGH REPORTED THAT THE MINISTRY OF FINANCE WAS IN THE PROCESS OF RESTRUCTURING THE INDIAN BUDGET TO THE EXTENT POSSIBLE IN ORDER TO INCREASE THE PRIORITIES GIVEN TO AGRICULTURE, RURAL SMALL SCALE INDUSTRY, HEALTH AND EMPLOYMENT. HE NOTED THAT CONGRESSMAN LONG HAD CRITICIZED INDIA FOR NEGLECT OF AGRICULTURE AND EMPLOYMENT AND SAID THAT IF THESE CRITICISMS WERE VALID THEY WERE NOW BEING TAKEN INTO ACCOUNT.

5. TURNING TO THE ISSUE OF BILATERAL AID, MANMOHAN SINGH SAID THAT THE US HAD BEEN THE FOUNDING FATHER OF THE CONSORTIUM AND THAT HE HOPED THAT WE WOULD AGAIN

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PLAY OUR LEGITIMATE ROLE THERE. HE RAISED THE NEGATIVE NET TRANSFER ISSUE. INDIA DEPENDS, HE SAID, ON US GOOD WILL WITHIN THE CONSORTIUM TO DEAL WITH THIS PROBLEM. WHEN THE USG HAS COMPLETED ITS REVIEW OF BILATERAL AID, THE GOI WILL WISH TO DISCUSS THE SUBJECT, HE SAID.

6. MANMOHAN SINGH SAID THAT FINANCE MINISTER H. PATEL AND HE WOULD BE IN WASHINGTON BETWEEN APRIL 23 AND 30 AND WOULD HOPE TO MEET US OFFICIALS AT THAT TIME (THE PURPOSE OF THEIR TRIP IS TO ATTEND MEETINGS OF THE DEVELOPMENT AND THE INTERIM COMMITTEES OF IBRD/IMF). HE REPORTED THAT H.M. PATEL HOPED TO CALL ON SECRETARY BLUMENTHAL AND THAT HE INTENDED TO RAISE THE IDA V ISSUE WITH HIM. MANMOHAN SINGH SAID HE WOULD WELCOME SUGGESTIONS FOR CALLS HE SHOULD MAKE WITHIN THE EXECUTIVE BRANCH.

7. COMMENT: MANMOHAN SINGH'S REMARKS ABOUT IDA V

CONFIRM OUR VIEWS ABOUT THE IMPORTANCE THE NEW
GOVERNMENT IN DELHI ATTACHES TO THIS ISSUE AND ITS
RELEVANCE TO THE STATUS OF US-INDIAN BILATERAL RELATIONS.
SCHNEIDER

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